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# **LANs Benefit Package**

**March 28-30, 2006**

# Agenda

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- **Introductions**
- **Objective**
- **To Date**
- **Health & Welfare**
- **Retirement: pension, 401(k), retiree health & welfare**
- **UC**
- **Resources**
- **Q & A**

# Legal Disclosures

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- **This presentation is a summary of LANS benefits provided on June 1, 2006. While this presentation and the verbal statements of Plan representatives are meant to be accurate, the actual Plan documents and relevant laws will govern at all times.**
- **In response to legal & contract requirements, market changes, etc., LANS reserves the right to amend or terminate benefits at any time.**
- **Company policies on hiring, discharge, layoff and discipline are in no way affected by the plans and programs described here. Therefore, nothing in this presentation is meant to be a guarantee of employment or continued employment.**
- **LANS's benefit plans are governed by a federal law (known as ERISA), which provides rights and protections to plan participants and beneficiaries. This is a change from the status of benefits provided by UC, which may have been subject to the 'vested rights doctrine' and other State of California provisions that limited certain changes to my benefits.**

# Objective

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- **Benefits package approved**
  - NNSA published white paper in response to comments
  - Our focus is now on what is approved
- **Highlight decisions (choice)**

# To Date

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- **Should have received LANS offer package and UC Decision Kit**
- **UCRP Decision Forms included with LANS package**
- **Reminder: must respond by May 15, 2006 at 5:00 PM MT**

# Health & Welfare

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- **Current enrollments in effect until January 1, 2007**
  - Will have regular Open Enrollment in the fall for 2007
- **Eligibility**
  - No change for any of the plans
  - Dependent coverage, including domestic partners, is the same
  - Can make mid-year changes if you experience a qualifying event
    - *e.g. marriage, birth or adoption of a child, divorce, dependent loses eligibility*

# Medical

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- **No change in benefits (e.g. hospitalization, prescriptions, co-pays, co-insurance)**
- **Deductibles, out of pocket maximums carryover**
- **United Healthcare/Uniprise options continue**
  - Select EPO, PPOs, Definity Health
- **Core New Mexico through Blue Cross**
- **PacifiCare Behavioral Health**
- **No change in network providers for any of the above options except for the normal course of business**

# Medical, con't.

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- **Not offered (as previously mentioned)**
  - HMOs: Kaiser CA, Kaiser Mid-Atlantic, HealthNet, PacifiCare of CA, PacifiCare of NV, Western Health Advantage
- **Will be contacted if enrolled in a HMO**



# Dental

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- **No change in benefits (e.g. cleanings, x-rays, co-pays, co-insurance)**
- **Deductibles, annual maximums carry over**
- **PPO remains through Delta Dental**
- **PMI not offered (as previously mentioned)**
  - Will contact employees if enrolled in this option

# Vision

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- **No change in benefits (e.g. exams, lens schedule, co-pays, co-insurance)**
- **Vision Service Plan (VSP) provider**

# Flexible Spending Accounts

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- **Health Care and Dependent Care Spending Accounts**
- **Accounts rollover**
  - Payroll deductions continue
  - YTD claims roll over
- **Continue to submit claims as usual**

# Life Insurance

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- **Same Basic Life, Core Life, Supplemental Life and Dependent Life coverages offered**
  - Basic and Core paid by LANS
  - Supplemental and Dependent voluntary
- **Current enrollments carry over to LANS**
- **Prudential remains the carrier**
- **Note: coverage(s) may differ for CalPERS members**

- **Business Travel Accident**
  - Same coverages and benefits (covers travel or hazardous activities on behalf of LANS)
  - Fully paid by LANS

# Disability Plans

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- **Short-term**
  - No change
- **Supplemental**
  - Remains voluntary plan with same benefit levels and waiting period options
- **Liberty Mutual remains the carrier**
- **Current UCRP disability benefit will now be administered through Liberty Mutual**
  - Same eligibility requirements apply

# Long-term Care

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- **Current enrollments through CalPERS can continue**
- **There will be a new provider June 1, 2006**
  - Request for proposal has been issued
  - LANS will be selecting a new provider shortly
  - Will operate the same as current plan
    - *Individual basis*

# Voluntary Plans and Programs

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- **Accidental Death & Dismemberment**
  - No change
    - *Continue with three levels of coverage: self only, family plan, modified family plan*
  - Voluntary plan
- **Legal**
  - ARAG continues as provider
  - No change in benefits
- **Education Plan of New Mexico**
  - No change
- **Savings Bond Program**
  - No change



# Voluntary Programs

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- **Auto & Home Insurance**
  - No change
  - California Casualty (A+) remains the carrier
- **Home Loans**
  - No change

# Employee Rates & Contributions

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- **No change for remainder of 2006 for:**
  - Medical
  - AD&D
  - Legal
  - Disability
- **Long-term Care**
  - For CalPERS plan, check with CalPERS
  - New LANS program rates may be different than CalPERS
- **Life**
  - UC was using good experience to offset cost that reduced employee monthly cost
    - *LANL population experience is not as favorable*
  - May see an increase in your individual cost
- **The 2007 employee rates and contributions will be announced during the annual Open Enrollment period in the fall**

# Retirement Plan Options

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- **TCP1**
  - Pension plan, 401(k) plan with employee only contributions, retiree health and welfare, UCRP similar disability (administered by Liberty Mutual)
- **TCP2**
  - No pension plan, 401(k) plan with employee and employer contributions, retiree health and welfare under TCP1 for transitioning employees if meet eligibility, no UCRP similar disability benefit offered

# Retiree Health & Welfare Plans

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- **TCP1**
  - Medical, dental, group legal and AD&D
    - *Medical and dental have employer contributions if eligibility criteria met*
- **TCP2**
  - Medical, dental, group legal and AD&D
    - *Medical and dental access only*
- **Legal and AD&D continue as voluntary plans**
  - retiree pays the full cost under both TCP1 and TCP2

# Choose TCP1

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- **UCRP service credit transferred to LANS for both vested and non-vested transitioning employees**
- **At retirement, service credit = UCRP + LANS**
  - Applies to both pension and retiree medical and dental
- **Sick leave transfers to LANS**
  - Balance converted to service credit upon retirement from LANS, same as under UCRP
- **Ability to defer on a pre-tax or after-tax basis into a 401(k) plan**
  - No employer contributions

# Choose TCP2

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- **Inactive vested or non-vested in UCRP**
- **No pension plan**
- **401(k) plan with employer match and employer non-elective contributions (service based)**
  - UCRP service credit transferred to determine initial contribution level; service continues to accrue
- **For transitioning employees, UCRP service credit is transferred and frozen as of May 31, 2006 for retiree medical and dental employer contributions offered under TCP1**

# Choose TCP2, con't

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- **Retiree medical and dental examples:**
  - 23 years of service credit transferred, meets eligibility requirement and 100% LANS contribution level
  - 12 years of service credit transferred meets eligibility requirement and 60% LANS contribution level
- **5-9 years of service credit, if age + years of service  $\geq 75$ , eligible for 50% subsidy**
- **0-4 years of service credit, 0% LANS contribution**
- **Pre-1990 hire: 100% employer contribution if**
  - At least 10 years of UCRP service credit
  - At least 5 years of UCRP service credit and retire at age 55 or later

# Choose TCP2, con't

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- **If vested and retirement eligible, choice to:**
  - Have sick leave transferred
  - Leave sick leave with UCRP
    - *If opt to retire within 120 days, sick leave converted to service credit, otherwise lost*



# TCP1 Pension Plan

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- **Benefits Summary outlines benefit calculation**
  - Located on [www.lansllc.com](http://www.lansllc.com)
- **Table of examples that compare TCP1 Pension and TCP2 401(k) plan**
  - Located on [www.lansllc.com](http://www.lansllc.com) by COB March 31
- **Domestic Partners**
  - Eligible to be designated as your contingent annuitant
  - Eligible to be designated as your beneficiary for the \$7,500 basic death benefit and residual death benefit
  - Intent is to provide a pre-retirement survivor benefit that is financially equivalent to that provided under the UCRP

# TCP1 401(k) Plan

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- **Employee only contributions**
  - Eligible compensation (e.g. base salary, OT, shift differential)
- **Can defer both pre-tax and after-tax up to IRS limits**
  - \$15,000 pre-tax for 2006
    - *Individual limit, combined with 403(b)*
      - Will carryover 403(b) limit
  - If age 50 or over, can elect to defer an additional \$5,000 pre-tax as a catch-up contribution

# TCP2 401(k) Plan

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- **Employee and employer contributions**
  - Employee: same as TCP1
- **Employer**
  - Match: 100% up to the first 6% of employee contributions
  - Non-elective (service based):
    - 0-9 years: 3.5%
    - 10-19 years: 4.5%
    - 20 or more years: 5.5%
  - Immediately vested in all employer contributions

# TCP2 401(k) Plan, con't

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- **Match**

- Earn \$50,000 and defer 6% = \$3,000
  - *LANS matches the \$3,000*
- Earn \$50,000 and defer 10% = \$5,000
  - *LANS matches up to 6% = \$3,000*
- Earn \$50,000 and defer 3% = \$1,500
  - *LANS matches only the \$1,500; left \$1,500 “on the table”*
- Match is on both pre-tax and or after-tax
  - *If you defer 6% pre-tax and 6% after-tax, the match is calculated on the combined amount*
- LANS matching contribution is based on actual eligible compensation (e.g. base salary, OT, shift differential)

# **TCP2 401(k) Plan, con't**

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- **UCRP service credit is transferred and recognized for the service based contribution; LANS service continues to add to**
  - **Example:**
    - *Transition with 13 years of service, at 4.5% contribution level*
    - *Continue working for LANS, when reach 20 years, move up to 5.5% level*

# TCP2 401(k) Plan, con't

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- **Service based contribution**

- Examples:

- *\$50,000 and 13 years of service, LANS contribution is  $\$50,000 \times 4.5\% = \$2,250$*
    - *\$50,000 and 27 years of service, LANS contribution is  $\$50,000 \times 5.5\% = \$2,750$*
    - *\$50,000 and 4 years of service, LANS contribution is  $\$50,000 \times 3.5\% = \$1,750$*

- LANS contribution is based on your actual eligible compensation

## Pension Plan example

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- **Illustration of pension calculation for member retiring at age 55 with 25 years of service and highest average plan compensation (HAPC) of \$7,000 per month**
- **Monthly life annuity at retirement equals**

retirement age factor x service x (HAPC minus \$133)

$$.0180 \times 25 \times (\$7,000 - \$133) = \$3,090$$

## 401(k) example

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- **Illustration of account balance after 5 years for member, currently with 10 years of service, who earns \$80,000 per year, contributes 6% of pay to the plan and whose investments earn 6% per year**

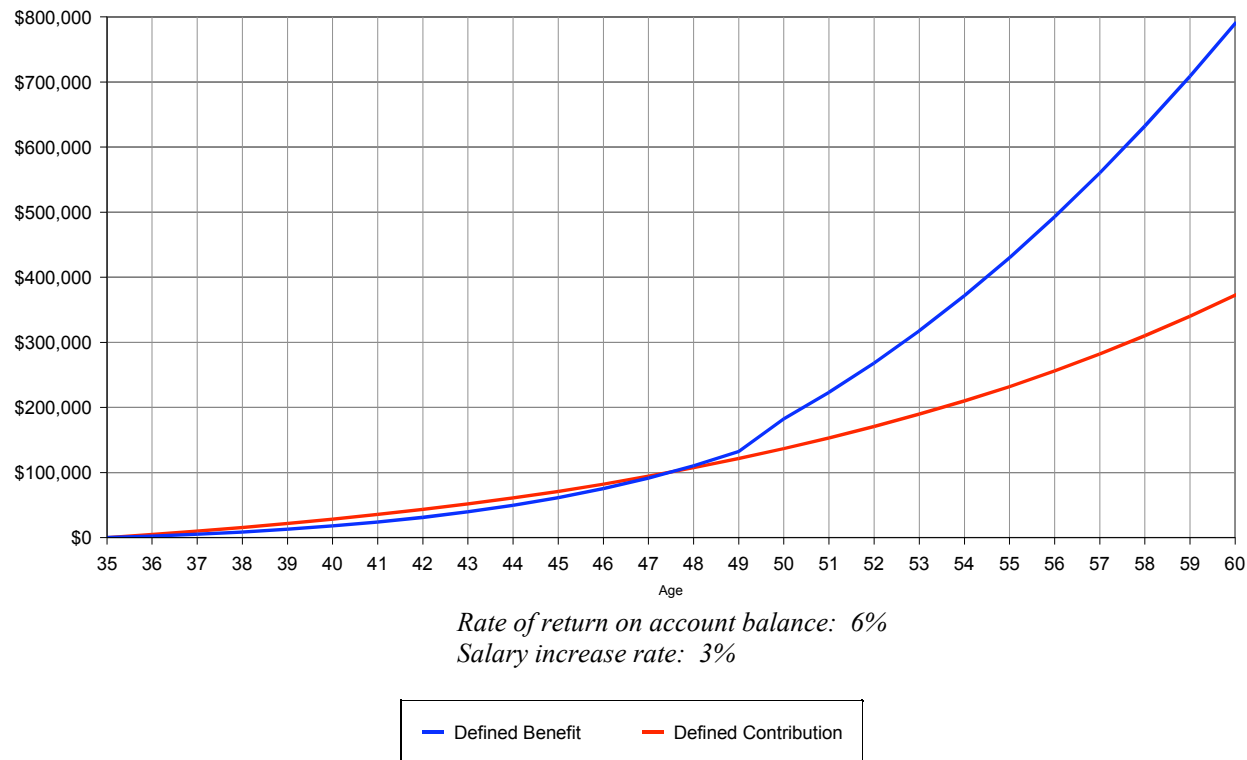
Total employee contributions	\$24,000	
Total employer matching contributions	24,000	
Total employer service-based contributions	18,000	
Investment earnings		<u>10,030</u>
Account balance after 5 years	\$76,030	



# Pension and 401(k) Plans

Benefits are earned at different rates over an employee's career for pension and 401(k) plans, as shown in the following theoretical example

**Present Value of Benefit Payable as a Lump Sum**  
Sample Data at 2006: Age = 35, Service = 0, Salary = \$50,000



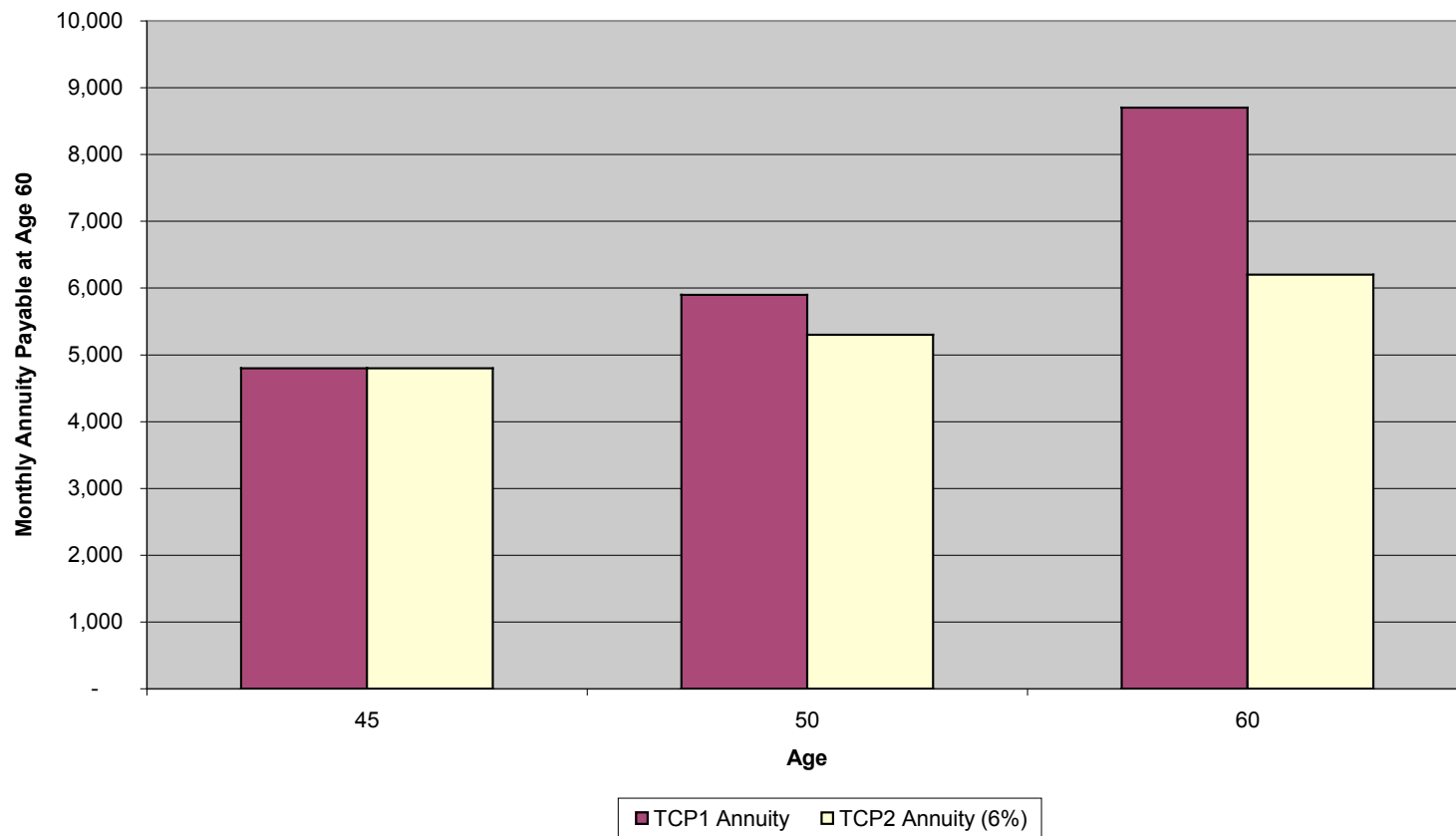
## Pension Plan and 401(k) Projection Estimates

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- **The chart on the following page compares estimated future benefits under TCP1 and TCP2 for a member currently age 45 with 20 years of service and current annual compensation of \$80,000**
- **The following are also assumed**
  - 3% future pay increases
  - 6% TCP2 investment earnings
  - 6% employee contributions to the 401(k) plan (only the match and service-based contributions are included in the TCP2 annuity estimates)
  - 2.5% future CPI increases
- **TCP2 benefits include the vested UCRP benefit and 401(k) plan match and service-based contribution account balances (converted to monthly annuities to make an “apples to apples” comparison).**

# Pension Plan and 401(k) Projection Estimates

Projected Monthly Annuities  
Age 45 with 20 Years of Service  
\$80,000 Current Pay



# 401(k) Plans

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- The following are the same for both TCP1 and TCP2 401(k) Plans:
  - Fidelity
  - Range of investment options
    - *Conservative to Aggressive plus LifeCycle funds*
    - *Recommended line-up still to be approved by Benefits Committee*
  - Loans, hardship withdrawals, distribution options
  - Web site and 800 number
  - ***Must re-enroll and designate new beneficiaries***
  - ***More information to follow***

# Retiree Medical

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- **Benefits are the same under TCP1 and TCP2**
  - Deductibles, out of pocket maximums, benefits covered (e.g. preventive care, hospitalizations, treatments, prescriptions)
- **Difference is eligibility and employer contributions, Medicare Part B reimbursement**

# Retiree Medical, con't

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- **TCP1 eligibility and employer contributions**
  - Same as under UCRP
- **TCP2**
  - Eligibility: age 50 with 10 years of service, or 5 years and age + years of service  $\geq 75$
  - Access only means:
    - *Retiree pays the full cost of the plan*
    - *Access to group rates, networks, negotiated discounts*
  - No Medicare Part B reimbursement
  - Remember UCRP service credit is transferred and frozen as of May 31, 2006 for transitioning employees and “look over” to TCP1

# Resources

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- [www.lansllc.com](http://www.lansllc.com)
- Hotline: 1-888-505-9292
- Helpdesk: Basement of Otowi Building